

In order to qualify for the manufacturing machinery and equipment exemption, the process or activity must be commonly regarded as manufacturing. See 86 Ill. Adm. Code 130.330(b)(3). (This is a GIL.)

December 15, 2004

Dear Xxxxx:

This letter is in response to your letter dated August 10, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Please advise me if equipment that is purchased to be used in compounding prescriptions is exempt from sales tax.

DEPARTMENT'S RESPONSE:

We are unable to determine from the limited facts submitted, the exact nature and use of the equipment referenced in your letter.

If you are requesting the tax liabilities for manufacturing machinery and equipment, please see 86 Ill. Adm. Code 130.330. Without knowing the nature of the equipment used, the process it is used in, and other relevant information, including the person(s) using the equipment, we cannot provide you with guidance on this issue.

In general, the manufacturing machinery and equipment exemption only applies to major mechanical machines or major components of such machines, not hand tools (such as a mortar and pestle). Pursuant to 86 Ill. Adm. Code 130.330(b)(3), the process or activity must be commonly regarded as manufacturing. In order to determine if a process qualifies as manufacturing, the Department will consider the scale, scope, and character of a process or operation. At this time,

without additional information, we are unable to say that the general public commonly thinks of “compounding prescriptions” as manufacturing.

In general, pharmacists are considered servicemen, not manufacturers. On the other hand, if a drug manufacturer did the “compounding prescriptions,” then the manufacturing machinery and equipment exemption may possibly apply.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
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EEB:msk